

CORRECTED FISCAL MEMORANDUM

SB 611 – HB 653

June 5, 2007

SUMMARY OF AMENDMENTS (008484, 009623): Deletes all language of the original bill. Makes changes to current law pertaining to the HOPE Scholarship program to include: increases the HOPE Scholarship award for FY2007-08 at four-year institutions to \$4,000 and \$2,000 at two-year institutions and increases the Wilder-Naifeh technical skills grant to \$2,000; specifies the award amount of the HOPE Foster Child Tuition Grant; and establishes the Tennessee Student Assistance Fund within the State Treasury. Amendment #009623 establishes the Tennessee Free Community College Scholarship based on the cost of full tuition at a public two-year postsecondary institution of \$2,500; renewal of such scholarship requires a 2.50 cumulative college GPA. Students currently receiving the HOPE award who would chose instead to receive the Free Community College Scholarship would be eligible for an incremental award of \$500 or the difference between full tuition of \$2,500 and the HOPE award of \$2,000.

FISCAL IMPACT OF ORIGINAL BILL:

Other Fiscal Impact – Increases the expenditure of lottery proceeds earmarked for scholarships and grants by \$34,603,200 in FY07-08 and by \$38,062,000 in FY08-09.

There is included in the Governor's FY2007-08 Recommended Budget the amount of \$9,300,000 from recurring lottery for education revenues for the increase in the base HOPE Scholars award levels. The amounts will increase from \$3,800 to \$4,000 at four-year schools and from \$1,900 to \$2,000 at two-year schools. Other awards, which are based on the HOPE award levels, will increase accordingly.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

On June 4, 2007, we issued a fiscal memorandum for this bill as amended with the following estimated fiscal impact:

Other Fiscal Impact – Increases the net expenditure of lottery proceeds earmarked for scholarships and grants by \$61,400,000 in FY07-08 and by \$82,700,000 in FY08-09.

Establishes the Tennessee Student Assistance Fund within the State Treasury and transfers \$210,000,000 from the Lottery for Education Account into such fund

beginning July 1, 2007. The principal amount of the fund shall equal \$200,000,000. The amount of \$10,000,000 is to be used for need-based grants in Year 1. In Year 2 and thereafter, based on a 3.5% interest rate, approximately \$7,000,000 in interest earnings, which would have accrued to the Lottery for Education Account, will now accrue to the Tennessee Student Assistance Fund to be used for need-based grants.

There is included in the Governor's FY2007-08 Recommended Budget the amount of \$9,300,000 from recurring lottery for education revenues for the increase in the base HOPE Scholars award levels. The amounts will increase from \$3,800 to \$4,000 at four-year schools and from \$1,900 to \$2,000 at two-year schools. Other awards, which are based on the HOPE award levels, will increase accordingly.

Based on new information from THEC, the fiscal impact of this bill as amended is estimated as follows:

(CORRECTED)

Other Fiscal Impact – Increases the net expenditure of lottery proceeds earmarked for scholarships and grants by \$54,400,000 in FY07-08 and by \$70,700,000 in FY08-09.

Establishes the Tennessee Student Assistance Fund within the State Treasury and transfers \$210,000,000 from the Lottery for Education Account into such fund beginning July 1, 2007. The principal amount of the fund shall equal \$200,000,000. The amount of \$10,000,000 is to be used for need-based grants in Year 1. In Year 2 and thereafter, based on a 3.5% interest rate, approximately \$7,000,000 in interest earnings, which would have accrued to the Lottery for Education Account, will now accrue to the Tennessee Student Assistance Fund to be used for need-based grants.

There is included in the Governor's FY2007-08 Recommended Budget the amount of \$9,300,000 from recurring lottery for education revenues for the increase in the base HOPE Scholars award levels. The amounts will increase from \$3,800 to \$4,000 at four-year schools and from \$1,900 to \$2,000 at two-year schools. Other awards, which are based on the HOPE award levels, will increase accordingly.

Assumptions applied to amendments:

- Increases HOPE scholarship award amounts for FY07-08 from \$3,800 to \$4,000 for 4-year institutions and from \$1,900 to \$2,000 for 2-year institutions and increases the Wilder-Naifeh technical skills grant from \$1,500 to \$2,000. First year cost of \$12,000,000. Second year cost of \$13,200,000.
- Increases the income requirement (AGI) from \$36,000 to \$45,000 -- First year cost of \$5,200,000. Second year cost of \$5,700,000.
- Dual enrollment grant – First year cost of \$1,000,000. Second year cost of \$1,100,000.

- Changes applicable to non-traditional students – First year cost of \$3,300,000. Second year cost of \$5,600,000.
- HOPE Foster Child Tuition Grant – First year cost of \$50,000. Second year cost of \$55,000.
- Changes limitation of receipt of the HOPE – First year cost of \$448,000. Second year cost of \$494,000.
- Tennessee HOPE Teacher’s Scholarship (private teachers) – First year cost of \$100,000. Second year cost of \$110,000.
- Dependent child of a religious worker – First year cost of \$114,000. Second year cost of \$125,400.
- Establishes the “Tennessee Student Assistance Fund” within the State Treasury and deposits into such fund on July 1, 2007, \$210,000,000 from the Lottery for Education Account, of which \$200,000,000 shall remain as principal. TSAC excess lottery funds of \$10,000,000.
- Defines “cumulative GPA” – First year cost of \$4,500,000. Second year cost of \$5,000,000.
- Partial HOPE scholarship – First year cost of \$6,000,000. Second year cost of \$9,000,000.
- All checkpoints converted to academic year as opposed to current hours – First year cost of \$2,700,000. Second year cost of \$3,000,000.
- (1) Drops retention GPA to 2.75 cumulative – First year cost of \$7,000,000. Second year cost of \$12,000,000. (2) Student may gain HOPE eligibility status by achieving 2.75 cumulative GPA at end of any academic year – First year cost of \$800,000. Second year cost of \$1,700,000. Total first year cost of \$7,800,000. Total second year cost of \$13,700,000.
- \$500 supplement to juniors and seniors – First year cost of \$5,400,000. Second year cost of \$5,900,000.
- Allows student to drop below full-time status once without loss of scholarship – First year cost of \$3,800,000. Second year cost of \$4,700,000.
- In the first year an estimated 1,373 students would receive an incremental Tennessee Free Community College Scholarship award of \$500 (the difference between full tuition cost of \$2,500 and the standard HOPE or ASPIRE award of \$2,000) and 511 students would receive the full award of \$2,500. Total first year cost of \$1,964,000 (1,373 students x \$500 = \$686,500 plus 511 students x \$2,500 = \$1,277,500). In the second year, an estimated 687 students would receive an incremental award of \$500 and an estimated 256 students would receive the full award of \$2,500. Total second year cost of \$2,947,500 (687 students x \$500 = \$343,500 plus 256 students x \$2,500 = \$640,000 plus cost of new 1st year cohort of \$1,964,000). Second year cost assumes a 50% scholarship retention rate.
- Total net first year impact - \$54,400,000 (\$64,400,000 including \$10,000,000 from reserve)
- Total net second year impact - \$70,700,000 (\$80,700,000 including \$10,000,000 from reserve)

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a large, stylized "J" and "W".

James W. White, Executive Director

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